

PHILIPPINE DEPOSIT INSURANCE CORPORATION REVISED CODE OF CORPORATE GOVERNANCE

Vision

By 2023, PDIC will be a leading institution in depositor protection, recognized for its operational excellence that is responsive to changing times.

Mission

We protect the depositing public while promoting confidence and stability in the banking system.

Core Values

Teamwork
Respect for All
Integrity
Professionalism
Love of Country
Excellence

Quality Policy

We commit to deliver world-class service to the depositing public.

To achieve this, we shall:

- Implement a quality management system aligned with international standards;
- Satisfy all applicable requirements relevant to the business;
- Provide adequate resources to maintain the quality management system;
- Promote quality culture, good governance and employee empowerment at all levels of the organization;
- Ensure employee competence;
- Innovate and continuously improve services for the benefit of customers and other stakeholders; and
- Establish programs to maintain continual improvement of services, systems and processes.

“Quality is our standard. Public service is our commitment.”

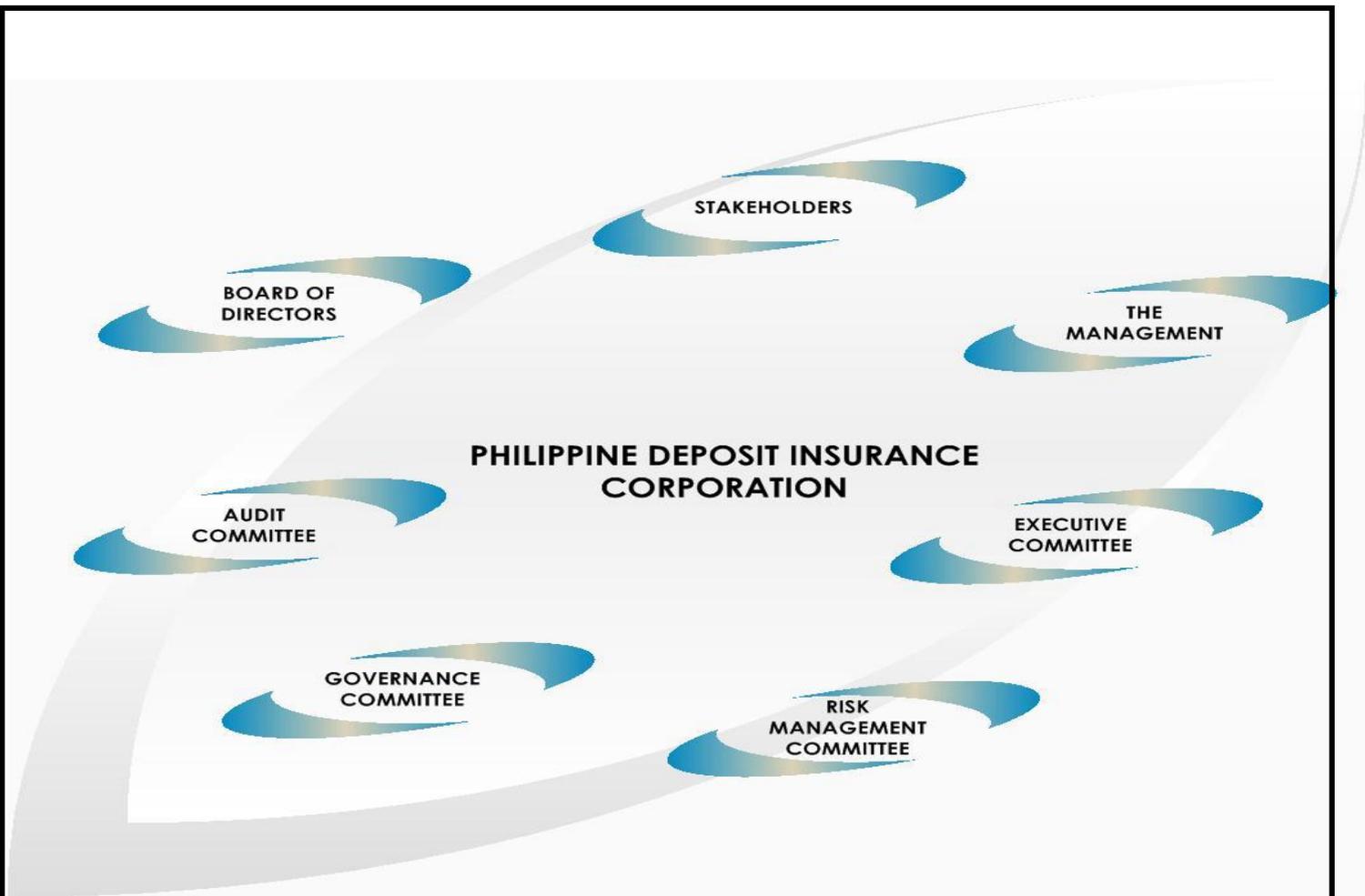


Figure 1. MAJOR PLAYERS IN CORPORATE GOVERNANCE

The Philippine Deposit Insurance Corporation ("PDIC") adheres to the Code of Corporate Governance prescribed by the Governance Commission for Government- Owned or -Controlled Corporations. PDIC adopts a Corporate Governance Structure, which revolves around its key players to achieve its objectives, mission and vision through good corporate governance.

PDIC observes and commits itself to accountability and transparency in the performance of its mandate of providing insurance coverage on all insured deposits to safeguard the interests of the depositing public and help maintain a sound and stable banking system. PDIC also recognizes the banking industry as one imbued with public interest and mandates that banks exercise extraordinary diligence in the performance of its fiduciary duties.¹

¹ Dean Cesar L. Villanueva, *The Law and Practice on: Philippine Corporate Governance*; 2009 Edition (Holy Angel University Press), 84-85.

ARTICLE I. COMMITMENT TO PRINCIPLES OF GOOD CORPORATE GOVERNANCE

SECTION 1. PDIC as an active partner of the government in national development.

PDIC acknowledges that good corporate governance² is essential to the achievement of its goal as an active partner of the government in national development. PDIC safeguards the interest of the depositing public and contributes to the promotion of financial stability in the economy.

SECTION 2. Governing principles of good corporate governance of PDIC. The corporate governance framework for PDIC shall be governed by the following principles:

- a. The Corporation shall always be governed by the rule of law and promote transparency, accountability, professionalism, effectiveness, integrity and fairness in the conduct of its operations to support the goals and objectives of the government;³
- b. Timely and accurate disclosure shall be made on all material matters regarding the Corporation, including its financial situation, performance, and governance, in accordance with the provisions of the PDIC Charter and other applicable laws and regulations.
- c. The strategic guidance of the Corporation shall be in accord with the objectives set by the Board, the effective monitoring of Management by the Board, and the Board's accountability to the stakeholders.⁴

SECTION 3. Commitment to institutionalize the principles of corporate governance.

PDIC is committed to institutionalize the principles of good corporate governance in the entire organization. The Board of Directors, Management and Employees of the Corporation equally commit to the principles contained in this Code and acknowledge that this Code will serve as a guide in the achievement of corporate goals.

SECTION 4. Promotion of corporate governance. The Board of Directors, Management and Employees believe that good corporate governance is an integral component of sound strategic management and of transparency and accountability in public corporate governance, and will therefore undertake every effort necessary to create awareness within the Corporation.

² GCG Memorandum Circular (MC) No. 2012-07, Code of Corporate Governance for GOCCs

³ Section 9, GCG MC No. 2012-06, Ownership and Operations Manual Governing the GOCC Sector

⁴ "President of the Republic of the Philippines" was replaced since the primary accountability of the Board is to the Corporation's stakeholders.

ARTICLE II. ESTABLISH A WELL-STRUCTURED AND FUNCTIONING BOARD

SECTION 1. The Board of Directors (the "Board") is primarily responsible for the governance of the Corporation. The Board is the government's agent in pursuing economic growth and development within the ambit of the Corporation's jurisdiction.⁵ To this end, it will be necessary to ensure that only individuals who are fit and proper by reason of their experience, education, training and competence can be appointed as members of the Board of PDIC.⁶

SECTION 2. Statement of Expectations of the Board of Directors. The Board of Directors is vested with legal capacity and authority to exercise all corporate powers and conduct all the businesses of the corporation.⁷ The Board of Directors is expected to ensure and undertake the following:

- a. Provide the corporate leadership of PDIC subject to rule of law, and the objectives set by the government and PDIC;
- b. Establish PDIC's vision and mission, strategic objectives, policies and procedures;
- c. Define the Corporation's values and standards;
- d. Foster the long-term success of PDIC in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation;
- e. Determine the organizational structure of PDIC, defining the duties and responsibilities of its officials and employees and adopting a compensation and benefit scheme for the same;
- f. Ensure that personnel selection shall be on the basis of merit and fitness and that all personnel action shall be in pursuance of the applicable laws, rules and regulations;
- g. Approve the annual and supplemental budgets of the Corporation;
- h. Comply with reportorial requirements, as required in PDIC's Charter and By-Laws, as well as applicable laws, rules and regulations;
- i. Act as an effective and independent check on Management; and
- j. Carry out the mandate of PDIC, as provided in its Charter.

SECTION 3. Specific functions of the PDIC Board. The PDIC Board shall perform, among others, the following functions:

- a. Meet regularly to properly discharge its responsibilities. Independent views during Board meetings shall be given due consideration and all such meetings shall be documented in the minutes of the Board meeting;

⁵ Sections 4 and 6, GCG MC No. 2012-07

⁶ *Id.* at Section 13

⁷ *Id.* at Section 5

- b. Determine PDIC's purpose and value, as well as strategies and general policies, to ensure that the Corporation survives and thrives despite financial crises and its assets and reputation are adequately protected;
- c. Determine important policies for PDIC with a view towards ensuring its long-term viability and strength;
- d. Monitor and evaluate on a regular basis the implementation of corporate strategies and policies, business plans and operating budgets, as well as Management's over-all performance to ensure optimum results;
- e. Ensure that PDIC complies with all relevant laws, regulations and codes of best business practices;
- f. Establish a competitive selection process to ensure that the key executives of PDIC have the necessary motivation, integrity, competence and professionalism, and selecting and appointing key executives with the appropriate level of motivation, integrity, competence and professionalism;
- g. Adopt a professional development program for officers and employees, and succession planning for key executives of the Corporation;
- h. Monitor and manage potential conflicts of interest of Management and Board Members, including misuse of corporate assets and abuse in related party transactions;
- i. Ensure the integrity of PDIC's accounting and financial reporting systems, including independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards;
- j. Oversee the process of disclosure and communications;
- k. Provide sound written policies and strategic guidelines on the Corporation's operating budget and major capital expenditures;
- l. Implement a system of internal checks and balances, which may be applied in the first instance to the Board. Such systems should be regularly reviewed and updated;
- m. Monitor and endeavor to provide appropriate technology and systems for the identification and monitoring of key risks and key performance areas;
- n. Constitute an Audit Committee and such other specialized committees as may be necessary to assist the Board in discharging its functions; and
- o. Conduct and maintain the affairs of the Corporation within the scope of its authority, as prescribed in its Charter, By-Laws, and applicable laws, rules and regulations.
- p. Formally adopt and conduct annually the mandated Performance Evaluation System (PES) and the Performance Scorecard and timely and accurately report the results to the GCG.

SECTION 4. Composition of the PDIC Board. PDIC, being created by special law, shall have a Board of Directors composed of the following, as prescribed in its Charter:

- a. The Secretary of Finance who shall be the ex-officio Chairperson of the Board without compensation.
- b. The Governor of the Bangko Sentral ng Pilipinas (BSP) who shall be ex-officio member of the Board without compensation.
- c. The President of the Corporation, who shall be appointed by the President of the Philippines from a shortlist prepared by the Governance Commission for Government-Owned or -Controlled Corporations pursuant to Republic Act No. 10149 to serve on a full-time basis for a term of six (6) years. The President of the Corporation shall also serve as Vice Chairman of the Board.
- d. Four (4) members from the private sector to be appointed by the President of the Philippines from a shortlist prepared by the Governance Commission for Government-Owned or -Controlled Corporations pursuant to Republic Act No. 10149. The Appointive Directors shall serve for a term of six (6) years unless sooner removed for cause and shall be subject to only one (1) reappointment.

SECTION 5. Re-appointment of Appointive Director. An Appointive Director may be nominated by the GCG for re-appointment by the President of the Philippines, if he/she obtains a performance score of above average or its equivalent or higher in the immediately preceding year of tenure as Appointive Director based on the performance criteria for Appointive Directors of the Corporation.

SECTION 6. Multiple Board seats. The capacity of Board Members to serve with diligence shall not be compromised. As such, the PDIC Board shall establish guidelines on the number of Board seats its Appointive Directors may hold in other corporate Boards. The optimum number is related to the capacity of a Board Member to perform his duties diligently in general.

However, for the duration of their tenure or term in office and for a period of one year thereafter, the Appointive Directors shall be disqualified from holding any office, position or employment in any insured bank, except that members of the Board of Directors may become directors and officers of any bank and banking institution and of any entity related to such institution in connection with financial assistance extended by the Corporation to such institution and when, in the opinion of the Board, it is appropriate to make such designation to protect the interest of the Corporation. Moreover, no Appointive Director may hold more than two (2) other Board Seats in other GOCCs, subsidiaries and/or affiliates⁸. The incumbent Board Member may, at any given time, occupy at most three (3) positions inclusive of their primary position from which he/she may receive compensation.⁹

SECTION 7. Qualifications of Board Members. As specified in the PDIC Charter and other existing laws, rules and regulations, no person shall be appointed as member of the Board unless he is a Filipino citizen, of good moral character and of

⁸ *Id.* at Section 11

⁹ Section 49, Chapter 10, Book IV of the 1987 Administrative Code

unquestionable integrity and responsibility, of known probity and patriotism, and who is of recognized competence in economics, banking and finance, law, management administration or insurance, and shall be at least thirty-five (35) years of age. Members of the Board shall also be qualified by the Fit and Proper Rule issued by the Governance Commission for GOCCs (GCG).

SECTION 8. Disqualification of incumbent Board Members. The incumbent Board Members may be disqualified from holding office pursuant to the Charter and other applicable laws, rules and regulations.

SECTION 9. Fiduciary capacity of Board Members. A Board Member assumes a position of trust and confidence and as such, he must act in the best interest of the Corporation. His actions must be characterized by transparency, accountability, fairness and responsibility and he must exercise leadership, prudence and integrity in directing the Corporation towards sustained progress over the long term. In this regard, the duties and responsibilities of a PDIC Board Member include the following:

- a. Conduct fair transactions with PDIC and ensuring that personal interest does not compromise Board decisions. The basic principle to be observed is that a Board Member shall not use his position to make profit or to acquire benefit or advantage for himself or his related interests. He should avoid situations that may compromise his impartiality. If an actual or potential conflict of interest arises on the part of Board Members, it must be fully disclosed and the concerned Board Member should not participate in the decision-making. A Board Member who has a continuing conflict of interest of a material nature should consider resigning;
- b. Devote time and attention necessary to the proper discharge of his duties and responsibilities. A Board Member should devote sufficient time to familiarize himself with the operations of PDIC and should be constantly aware of the Corporation's condition and be knowledgeable enough to contribute meaningfully to the Board's work. He should attend and actively participate in Board meetings, request and review meeting materials, ask questions, and request explanations;
- c. Act judiciously. Before deciding on any matter brought before the Board, a Board Member should thoroughly evaluate the issues, ask questions and seek clarifications when necessary;
- d. Exercise independent judgment. A Board Member should view each problem/situation objectively. When a disagreement with other Board Members occurs, he should carefully evaluate the situation and state his position. He should not be afraid to take a position even though it might be unpopular. Corollarily, he should support plans and ideas that he thinks are beneficial to the Corporation;
- e. Gain working knowledge of the statutory and regulatory requirements affecting PDIC, including the contents of its Charter, By-Laws, applicable laws, rules and regulations, as well as keeping himself informed of industry developments and business trends;
- f. Observe confidentiality. A Board Member should observe the confidentiality of non-public information acquired by reason of his position as director. He

should not disclose any information to any other person without the authority of the Board; and

- g. Ensure the presence and adequacy of internal control mechanisms for good governance. The minimum internal control mechanisms for the Board's oversight responsibility include, but shall not be limited to: (i) ensuring the presence of organizational and procedural controls, supported by an effective management information system and risk management reporting system; (ii) reviewing conflict-of-interest situations and providing appropriate remedial measures for the same; (iii) reviewing proposed key executive appointments; (iv) ensuring the selection, appointment and retention of qualified and competent management; and (v) reviewing the Corporation's personnel and human resources policies, compensation plan and the management succession plan.

SECTION 10. Collective and individual liability of Board Members. There should not be any difference between the liabilities of different Board Members.

Board Members who willfully and knowingly vote or consent to patently unlawful acts of PDIC or who are guilty of gross negligence or bad faith in directing the affairs of the Corporation or acquire any personal or pecuniary interest in conflict with their duty as such members, shall be liable jointly and severally for all damages resulting therefrom suffered by PDIC and stakeholders.

In addition, when a Board Member attempts to acquire or acquires, in violation of his duty, any interest adverse to PDIC in respect of any matter which has been reposed in him in confidence, as to which equity imposes a disability upon him to deal in his own behalf, he shall be liable as a trustee for the Corporation and must account for the profits which otherwise would have accrued to PDIC.

Any Board Member who enters into a transaction or contract grossly disadvantageous to the government, whether he profited from it or not, shall be liable for violation of Republic Act No. 3019 or the Anti-Graft and Corrupt Practices Act.

SECTION 11. Exercise of objective and independent judgment. Members of the Board shall hold no interests or relationships with PDIC that may hinder their independence from the Corporation or its Management and which may interfere with the exercise of independent judgment in carrying out their responsibilities.

SECTION 12. Annual performance evaluation of the PDIC Board. To strengthen the competence and character of the Members of the PDIC Governing Board, the Corporation shall adopt the Performance Evaluation for Directors in the GOCC Sector as prescribed by the Governance Commission for GOCCs.

The Performance Evaluation for the Directors measures the overall performance of an Appointive Director based on the weighted-average of the following components:

1. The Corporation's Performance based on application of the Performance Evaluation System (PES) for GOCCs under GCG Memorandum Circular No. 2013-02;
2. Director Performance Evaluation; and

3. Director Attendance Score.¹⁰

SECTION 13. Restitution - Restitution of properties and monies shall be done in accordance with the provisions in GCG Memorandum Circular No. 2012-07 (Code of Corporate Governance for the GOCC Sector) and other relevant laws and issuances.

¹⁰ GCG MC No. 2014-03, Performance Evaluation for Directors in the GOCC Sector

ARTICLE III. ENSURE THE INTEGRITY OF THE CORPORATION'S FINANCIAL REPORTS

SECTION 1. The Board of Directors confirms the truth and fairness of all information and representation contained in the Corporation's Financial Statements. The financial statements have been prepared in conformity with generally accepted state accounting principles and reflect amounts that are based on best estimates and informed judgment of management with an appropriate consideration of materiality.

SECTION 2. In this regard, the Board must ensure that management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities recognized.¹¹

¹¹ As required under Section 42 (e), GCG MC No. 2012-07
<http://www.coa.gov.ph/ngas/natl/appendices/Appendix-04.doc> April 04, 2013

ARTICLE IV. ESTABLISH SPECIALIZED SUPPORT COMMITTEES

SECTION 1. PDIC Board shall set up specialized committees to support the Board in the performance of its functions. The Board shall define the cases in which specialized committees may be considered by using a combination of criteria, including the size of PDIC. It is essential that specialized Board committees are chaired by a non-executive and include a sufficient number of independent members. The existence of specialized Board committees shall not excuse the Board from its collective responsibility for all matters. Specialized Board committees shall have written terms of reference to be approved by the Board that shall define their duties, authority and composition. Specialized Board committees shall report to the Board and the minutes of their meetings shall be circulated to all Board Members.

SECTION 2. Board Governance Committee

(1) The purpose of the Board Governance Committee (BGC) is to assist the Board of Directors fulfill its corporate governance responsibilities and ensure adherence to the principles and standards of good corporate governance to promote transparency and accountability by:

1. Defining the institutional framework for sound corporate governance;
2. Adopting policies and procedures consistent with good governance standards; and
3. Ensuring the availability of an effective system for monitoring compliance with laws, rules, regulations and policies.

(2) The BGC shall be composed of at least three (3) members of the Board and chaired by the Chairman of the Board.¹² In the absence of the Chairman, the Vice Chairman shall preside during meetings. The Vice Chairman shall be elected by the Committee from among the Appointive Directors. Any vacancy in the membership of the Committee shall be filled up by the Board of Directors.

(3) The BGC is primarily responsible for ensuring the effectiveness of the Board and the due observance of the PDIC Code of Ethics and PDIC Code of Corporate Governance.

(4) The BGC shall have the following duties and responsibilities:¹³

1. Ensure the effectiveness of the Board in fulfilling PDIC's mandate to protect depositors and contribute to financial stability, by, among others:
 - a. Recommending comprehensive orientation programs for new directors and continuing education programs for directors when appropriate;
 - b. Recommending the manner by which the Board's performance may be evaluated and proposing an objective performance criteria for approval of the Board; and
 - c. Overseeing the annual performance evaluation of the Board and its Committees through the conduct of an annual self-evaluation of its performance.
2. Evaluate the governance structures and processes, including policy development, monitoring and oversight of compliance.

¹² *Id.* at Section 16.2.3

¹³ Based on the revised Charter of the Board Governance Committee approved by the PDIC Board of Directors per Board Resolution No. 2017-12-174 dated 20 December 2017.

3. Align the governance statement and principles with corporate governance standards and practices, and oversee updating of the PDIC's Code of Corporate Governance as appropriate.
4. Monitor the implementation of the PDIC Code of Ethics, PDIC Code of Corporate Governance and the Integrity Management Program and recommend approval of the guidelines on norms of conduct and ethical behavior for PDIC employees, directors, consultants and agents.
5. Adopt and implement the corporate governance scorecard prescribed by regulatory authorities.
6. Oversee the performance of governance functions in support of the Corporation's goals and strategies by:
 - a. Monitoring PDIC's compliance with applicable laws, rules and regulations to ensure that governance/ compliance issues are resolved expeditiously; and
 - b. Endorsing to the Board appropriate actions for any violation/breach based on the review of the reports submitted thru/by the Corporate Governance Office, and/ or PDIC Management regarding significant compliance issues, general status of level of compliance to relevant laws, rules and regulations, updates and other compliance matters.
7. Review the organizational structure and staffing of the Corporate Governance Office.
8. Review and concur in the appointment and annual review of performance, replacement or separation of the Governance Officer in accordance with Civil Service laws and regulations.
9. Prepare a monthly report to the Board of Directors of matters discussed and actions taken up in the Committee meeting for Board consideration, notation or approval.
10. Exercise the functions of a Nomination and Remuneration Committee under pertinent rules and regulations.
11. Perform such other functions as may be required by applicable laws, rules and regulations.

SECTION 3. Board Audit Committee

(1) The Board Audit Committee (BAC) shall support the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the Corporation's process for monitoring compliance with laws and regulations and the Code of Ethics.

(2) The BAC shall be composed of at least three (3) members of the Board of Directors to be nominated and elected by the Board of Directors namely: members from among the Appointive Directors and from among its non-executive members.

The Chairperson and Vice Chairperson of the Committee shall be elected by the Board of Directors from among the Appointive Directors. The Chairperson should have audit, accounting or finance background. In the absence of the Committee Chairperson, the Vice Chairperson shall act as the Chair during the meeting.

In case of vacancy, a new member of the committee shall be elected by the Board.

(3) The BAC will carry out the following duties and responsibilities:¹⁴

- a. Oversee, monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system, engage and provide oversight of the Corporation's internal and external auditors and coordinate with the Commission on Audit (COA);
- b. Review and approve audit scope and frequency, the annual internal audit plan, quarterly, semi-annual and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal, regulatory and COA requirements;
- c. Receive and review reports of internal and external auditors and regulatory agencies, and ensure that Management is taking appropriate corrective actions, in a timely manner in addressing control and compliance functions with regulatory agencies;
- d. Ensure that internal auditors have free and full access to all the Corporation's records, properties and personnel relevant to and required by its function and that the internal audit activity shall be free from interference in determining its scope, performing its work and communication its results; and
- e. Develop a transparent financial management system that will ensure the integrity of internal control activities throughout the Corporation through a procedures and policies handbook that will be used by the entire organization.

¹⁴ Based on the revised Charter of the Board Audit Committee approved by the PDIC Board of Directors per Board Resolution No. 2016-05-082 dated 20 May 2016.

- f. Review with management and the Chief Audit Executive (CAE) the internal audit process, organizational structure, budget and staffing of the internal audit. The CAE shall refer to the Head of the Internal Audit Group.
- g. Review and concur in the appointment and annual review of the performance, and replacement or separation of the CAE.
- h. Regularly report to the Board of Directors matters discussed and actions taken up in the Committee meeting for Board consideration, notation or approval.
- i. Exercise such other duties and responsibilities, which the PDIC Board of Directors may delegate to the Committee from time to time.

SECTION 4. Board Risk Management Committee

- (1) The Board Risk Management Committee (BRMC) shall assist the PDIC Board of Directors in providing risk oversight to the Corporation, consistent with the risk management policy and strategy set by the PDIC Board of Directors.
- (2) The BRMC shall consist of at least three (3) members of the PDIC Board of Directors with at least one (1) member having background in finance and investments. The Chairperson and the Vice Chairperson of the BRMC shall be elected from among the Appointive Directors. In the absence of the BRMC Chairperson, the Vice Chairperson shall act as the Chairperson during the meeting.

In case of a vacancy, a new member of the BRMC shall be elected by the Board.

- (3) The BRMC will carry out the following duties and responsibilities:¹⁵
 - a. Oversee and evaluate the adequacy and effectiveness of the risk management framework of the Corporation.
 - b. Endorse measures that will enhance risk awareness throughout the Corporation.
 - c. Foster a culture that takes into consideration risks in the decision-making processes throughout the organization.
 - d. Endorse to the Board for notation and/or approval recommendations on how to address risks on proposed policies and guidelines and transactions.
 - e. Exercise such other duties and responsibilities which the PDIC Board of Directors may delegate to the Committee from time to time.

SECTION 5. Board Executive Committee¹⁶

- (1) The Board Executive Committee shall be composed of not less than three (3) members of the Board, with the Chairman of the Board being the Committee Chairman. In the absence of the Chairman, the Vice Chairman shall preside during meetings.
- (2) The Board Executive Committee shall act in accordance with the authority granted by the Board or during the absence of the Board on such specific matters within the competence of the Board as may from time to time be delegated to the Committee in accordance with the PDIC's Charter or By-Laws, except with respect to:

¹⁵ Based on the revised Charter of the Board Risk Management Committee approved by the PDIC Board of Directors per Board Resolution No. 2017-10-138 dated 20 October 2017.

¹⁶ To be constituted as soon as the number of members of the Board of Directors is increased by Legislation.

- a. Filling of vacancies on the Board or in the Executive Committee;
- b. Amendment or repeal of By Laws or the adoption of new By-Laws;
- c. Amendment or repeal of any resolution of the Board which by its express terms cannot be amended or subject to repeal;
- d. Declaration and payment of dividends; and
- e. Exercise of powers delegated by the Board exclusively to other committees.

ARTICLE V. EXECUTE SOUND BUSINESS STRATEGIES AND POLICIES

SECTION 1. The Management. The PDIC Management is the decision-making body responsible for the day-to-day affairs of PDIC. It determines the Corporation's activities by putting the Corporation's targets in concrete terms and by implementing basic strategies for achieving these targets. It also puts in place the infrastructure for the Corporation's success by establishing the following mechanisms in its organization: organizational structures that work effectively and efficiently in attaining the goals of the Corporation; planning, control, and risk management systems that assess risks on an integrated cross-functional approach; information systems that are defined and aligned with an information technology strategy and the business goals of the Corporation; and a plan of succession that formalizes the process of identifying, training and selection of successors in key positions in the Corporation.

SECTION 2. Management Accountability to the Board. Management, composed of executive officers, is primarily accountable to the Board for the operations of PDIC. As part of its accountability, it is obligated to provide the Board with complete, adequate information on the operations and affairs of the Corporation in a timely manner.

SECTION 3. The Executive Officers. Except for the President and CEO, the executive officers of PDIC shall be appointed by the Board. The executive officers of the Corporation shall be composed of the President and Vice Presidents. The President and CEO shall be the highest ranking officer in the Corporation and shall be appointed by the President of the Philippines.

During the absence or temporary incapacity of the President, or in case of vacancy or permanent incapacity and pending the appointment of a new President of the Corporation by the President of the Philippines, the Board of Directors shall designate the officer-in-charge of the Corporation.

SECTION 4. The President is ultimately accountable for PDIC's organization and procedural controls. In addition to the duties as provided in the Charter and the By-Laws, the President shall:

1. Preside at the meetings of the Board as Acting Chairman in the absence of the Chairman of the Board;
2. Prepare the agenda for the meeting of the board in consultation with the Board Chairman;
3. Exercise general supervision of the operations, internal administration, and property of the Corporation, and over its employees and officers;
4. Ensure that all orders and resolutions of the Board are carried into effect;
5. Submit to the Board as soon as possible after the close of each year, a complete report of the operations of PDIC for the preceding year;
6. Report to the Board all matters that may require the attention of the Board.

SECTION 5. The President shall have such other responsibilities as may be vested by the Board.

SECTION 6. The President shall be assisted by Vice Presidents whose appointment and removal for cause shall be approved and whose salary shall be fixed by the Board of Directors upon recommendation of the President of the Corporation.

SECTION 7. The Vice Presidents shall:

1. Provide senior management officials with accurate, relevant, and timely reports and analysis necessary for planning and strategy formulation, and monitor actual implementation of budgets, plans and programs towards the achievement of corporate goals;
2. Maintain the integrity of records and reports provided to Management for decision-making and to government regulatory bodies in compliance with statutory requirements;
3. Promote public confidence in PDIC by ensuring that all other legal reportorial obligations to the concerned agencies are complied with;
4. Strengthen internal controls by monitoring compliance with policies and recommending to Management appropriate actions and changes in systems and procedures in the exigencies of the service;
5. Perform other responsibilities as may be delegated.

SECTION 8. Power of the Governing Board to Discipline Officers – The Governing Board has the authority to discipline its officers in accordance with existing GCG circulars, subject to Civil Service Laws, rules and regulations and in compliance with the requirements of due process.

ARTICLE VI. CHIEF FINANCIAL OFFICER

SECTION 1. The Chief Financial Officer shall be responsible for the following:

1. Oversee the implementation of functions of the Corporate Planning Group involved in the formulation, review and updating of corporate goals, plans, programs, policies, system and processes; and the Comptrollership Group involved in the financial accounting, budget administration, formulation and administration of fiscal and financial risk controls.
2. Direct formulation / development of policies, system and procedures, objectives and goals involving planning, policy & systems, and comptrollership functions, and recommend these for approval.
3. Ensure that Management is provided with accurate, relevant, and timely operating and financial reports and analysis necessary for financial planning and strategy formulation, and monitoring actual implementation of budgets.
4. Ensure maintenance of integrity in the accounting records being the basis of financial statements and reports provided to Management for decision-making and to government regulatory bodies in compliance with statutory and other requirements.
5. Ensure updating policies to strengthen internal controls and recommends changes in policies, systems and procedures.
6. Facilitate consultation with various sectors of the Corporation as basis for recommending resource allocation and project/program/activity prioritization.
7. Review and recommends parameters for the establishment of the performance goals and the development of corporate objectives, key performance indicators, plans, strategies and programs.
8. Ensure that the Board of Directors, Board Audit Committee, President and Executive Committee are aware of corporate performance and relevant issues requiring hiring management attention.
9. Exercise general administrative directions over the Sector.
10. Participate actively in the fiscal, monetary and banking circles to promote the interests of the corporation.
11. Perform other duties as may be assigned from time to time.

ARTICLE VII. CORPORATE TREASURER

SECTION 1. The Corporate Treasurer shall have charge of the funds, securities, receipts and disbursements of the Corporation. The Treasurer shall also have the following functions:

1. Oversee the implementation of functions of the Groups involved in claims settlement operations, depositors' assistance, fund and investment portfolio management, formulation and implementation of financial risk and other fiscal controls.
2. Exercise general administrative direction over the Sector.
3. Direct the formulation / development of policies, systems and procedures, objectives and goals pertaining to insurance claims, depositors assistance and treasury and fund management, and recommend these for approval.
4. Formulate and recommend financial strategies for the Corporation and PDIC managed funds (funds of bank under Receivership and Liquidation, Financial Assistance, and Provident fund), with the objective of maximizing returns in support of the Corporation's goals relating to insurance funds build-up, and implements appropriate risk management measures.
5. Ensure that the Board of Directors, President, Executive Committee and Management Committee are aware of the fund condition of the Corporation and related transactions, and are provided with relevant timely financial market information.
6. Cause all monies and other valuables effects to be deposited in the name and to the credit of the Corporation in compliance with applicable laws, rules and regulations.
7. Ensure fund availability on a timely basis and the utmost economical means.
8. Develop and maintain network with both private and public institutions in the financial and accounting community and other government agencies in the furtherance of the interests of the Corporations.
9. Perform other duties as may be assigned from time to time.

ARTICLE VIII. CORPORATE SECRETARY

SECTION 1. The Corporate Secretary shall have the following functions:

- a. Keep the minutes of meetings of the Board and ensure confidentiality thereof;
- b. Keep in safe custody the seal of the Corporation and affix it to any instrument requiring the same;
- c. Ensure that the Board receives complete and timely information; and
- d. Attend to the giving and serving of notices of Board meetings.¹⁷

SECTION 2. The Corporate Secretary shall have such other responsibilities as may be vested by the Board. The Board shall have separate and independent access to the Corporate Board Secretary.

¹⁷ Section 15.3, GCG MC No. 2012-07

ARTICLE IX. GOVERNANCE OFFICER

SECTION 1. The Governance Officer shall perform the following duties:

- a. Monitor compliance by the Corporation of the requirements of applicable laws, the Code of Corporate Governance for GOCCs, the rules and regulations of appropriate government agencies and, if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
- b. Appear before the GCG when summoned in relation to compliance with the Code of Governance for GOCCs, this Code and other compliance matters;
- c. Issue a Certification every 30 May of the year on the extent of PDIC's compliance with the government corporate standards governing GOCCs for the period beginning 01 July of the immediately preceding calendar year, and if there are any deviations, explain the reason for such deviation.¹⁸
- d. Perform other functions and duties as may be prescribed by laws, rules and regulations.

¹⁸ *Id.* at Section 15.4

ARTICLE X. ADOPTION OF WHISTLEBLOWING POLICY

SECTION 1. PDIC shall be governed with integrity, honesty, transparency and accountability in the pursuit of its public service mandate towards nation building. As such, its operations shall be in adherence to all applicable laws, rules, regulations, ethical standards and corporate policies.

PDIC, acting through its governing Board and duly authorized officers and employees, shall promote and strengthen public partnership by providing an accessible, efficient and reliable feedback mechanism.

The Whistleblowing Policy shall provide feedback channels for any individual to report, anonymously if desired, and testify on matters involving the actions or omissions, of all covered personnel that are illegal, unethical, violate good governance principles, are against public policy and morals, and promote unsound and unhealthy business practices, that are grossly disadvantageous to PDIC and/or the government.

ARTICLE XI. ENSURE INTEGRITY OF GOVERNANCE POLICY ON CONFLICT OF INTEREST

SECTION 1. Public policy dictates that the personal interest of board members and employees should never prevail over the interest of PDIC. As such, Board Members and employees may not directly or indirectly derive any personal profit or advantage by reason of their position in the Corporation. Board Members and employees shall likewise not, directly or indirectly, have any financial or material interest in any transaction requiring the approval of PDIC.

Divestment. - When a conflict of interest arises, the Board member or employee shall resign from his position in any private business enterprise within thirty (30) days from his assumption of office and/or divest himself of his shareholdings or interest within sixty (60) days from such assumption. The same rule shall apply where the public official or employee is a partner in a partnership.

ARTICLE XII. COMMITMENT TO SOCIAL RESPONSIBILITY AND PROTECTION OF RIGHTS AND INTERESTS OF STAKEHOLDERS

SECTION 1. Every Director, Officer and employee has the duty to be responsive to their stakeholders who have the right to expect that the Corporation is being run in a prudent manner and with due regard of the interests of all stakeholders. Members of the Board and Officers shall deal fairly with national government, depositing public, banks and its employees and shall not take unfair advantage over them.

The Corporation is mandated to be socially responsible, to act and operate as good corporate citizens. The Board shall recognize and perform the obligations of the Corporation towards the national government, depositing public, banks, employees and the communities, which it operates.

The Directors, Officers and all its employees are required to abide by the Ethical policies as mandated by laws, rules and regulations. The protection of the reputation and goodwill of the Corporation is of fundamental importance and Directors, Officers and employees should be aware of the disciplinary implications of breaches of policies.¹⁹

SECTION 2. The Stakeholders

It is the policy of the State to strengthen the mandatory deposit insurance coverage system to generate, preserve, maintain faith and confidence in the country's banking system, and protect it from illegal schemes and machinations. Pursuant to this, PDIC, as a government instrumentality, is mandated to promote and safeguard the interests of the depositing public, help develop a sound and stable banking system, and manage the affairs of banks under receivership/liquidation for the benefit of its creditors.

Given this State policy and PDIC's mandates, PDIC recognizes its stakeholders and undertakes to do the following:

a. *Depositing Public* – Ensure that all valid deposit insurance claims are paid at the soonest possible time in accordance with international best practices and standards, continue to find ways to enhance the processing of deposit insurance claims, and preserve the growth of and protect the Deposit Insurance Fund.

b. *Member Banks* – Help strengthen the banking system through the:

- 1) Issuance of regulations to implement the PDIC Charter,

¹⁹ Please see Sections 33 to 37, *id.*

- 2) Conduct of bank examination and investigation to determine a bank's financial health and adherence to rules and regulations imposed by the Bangko Sentral ng Pilipinas and by PDIC,
- 3) Extension of financial assistance to distressed banks as may be necessary and up to the limits imposed by law, and
- 4) Investigation and prosecution of unsafe and/or unsound banking practices and fraud committed in banks.

c. *Creditors of Banks Under Receivership or Liquidation* – Facilitate the distribution of the assets of the closed bank to its creditors in accordance with the Rules on Concurrence and Preference of Credits through the efficient management of the assets and affairs of the bank.

d. *General Public* – Promote financial literacy, conduct public awareness programs that inform about PDIC and the benefits of saving money in a bank, as well as educate them on unsafe and/or unsound banking practices.

e. *State/National Government* – Effectively implement the policy of the State to strengthen the mandatory deposit insurance coverage system to generate, preserve, maintain faith and confidence in the country's banking system, and protect it from illegal schemes and machinations, and perform its mandates.

f. *Employees of the Corporation* – Enhance their quality of life by providing a competitive compensation package and decent work environment, provide opportunities for training and values formation to assist them in their career path, strengthen their commitment to excellence in public service, and cultivate their social and environmental awareness and nationalism.

SECTION 3. Communication with the Stakeholders

The Corporation should have a public awareness program that provides information to its stakeholders on a continuing basis to enhance the effectiveness of the deposit insurance system. Public awareness on deposit insurance and the mandates of PDIC supports the Corporation's public policy objectives of promoting depositor protection and financial stability. The program shall aim to raise public awareness on the deposit insurance system, advocate responsible banking and wise saving, and address the concerns of the depositors of banks placed under receivership.

The program objectives are supported by activities that include, but not limited to the following: general information campaign, financial literacy projects, and advocacy for support mobilization. The general information campaign is for the population-at-large, depositing public, and media, undertaken to disseminate basic information through various mass media platforms about deposit insurance and its benefits and limitations. Financial literacy projects focus on specific sectors of the banking public that need attention and protection through targeted public seminars and information materials for safe and responsible banking. Advocacy for support mobilization encourages member banks and partner agencies to assist and participate in corporate social responsibility (CSR) programs in the pursuit of PDIC's public policy objectives and mandates.

The program has a component directed at depositors of closed banks to provide information that will facilitate the processing and settlement of their insured deposit claims.

The PDIC shall implement its public awareness program in coordination with the other regulators and supervisors of the financial system and consistent with the generally agreed principles in the Financial Sector Forum, and with international standards.

ARTICLE XIII. ADOPT AND IMPLEMENT DISCLOSURE AND TRANSPARENCY REGIME

SECTION 1. Timely and accurate disclosure shall be made by the Board of Directors, officers and employees on all matters as required under pertinent laws, rules, regulations, circulars and other government issuances, provided that any disclosure shall not be in violation of the PDIC Charter.

PDIC has developed effective internal audit procedures and has established an internal audit unit that is monitored by and reports directly to the Board and its Audit Committee.

PDIC shall undergo an annual independent external audit based on international standards.

SECTION 2. PDIC shall take all measures to be transparent. It shall disclose financial and non-financial information according to internationally recognized standards. A high level of disclosure is also valuable for PDIC in pursuing important public policy objectives. It is particularly important when they have a significant impact on the National Budget, on the risks carried by the government, or when they have a more global societal impact.

ARTICLE XIV. REINFORCEMENTS FOR COMMUNICATION AND EDUCATION

SECTION 1. The Board and Management shall ensure the thorough dissemination of this Code to all employees and third parties, and shall enjoin the development of organizational policies and processes consistent with this Code.

Funds shall be allocated for the conduct of an orientation program to operationalize this Code and for the continued education and training of all officers and employees to ensure compliance with this Code. Each Board Member is enjoined to attend the relevant education programs on corporate governance conducted by duly recognized private or government entities.

ARTICLE XV. PERIODIC REVIEW AND AMENDMENT

SECTION 1. The provisions of this Code and its enforcement shall be reviewed periodically. Recommendations for amendments or revisions shall be submitted to the Board for approval.

SECTION 2. All existing guidelines, orders, policies and other issuances, which are inconsistent with any provision of this Code shall be deemed superseded.

ARTICLE XVI. CORPORATE OBLIGATIONS TO THE DIRECTORS AND OFFICERS

SECTION 1. Providing for Staff Support to Directors. The Corporation shall provide the members of the Governing Board with reasonable support staff and office facilities to allow them to properly discharge their duties and responsibilities.²⁰

SECTION 2. Liability Insurance Mechanism and Indemnification. The Corporation shall establish an insurance and indemnification mechanism for itself and the members of the Governing Board, officers and employees against contingent claims and liabilities that may arise from acts done in the performance of their functions pursuant to existing laws and government rules and regulations.

²⁰ *Id.* at Section 31

ARTICLE XVII. SANCTIONS AND PENALTIES

SECTION 1. Any violation of the provisions of this Code shall be dealt with in accordance with the Fit and Proper Rule, Anti-Graft and Corrupt Practices Act, Code of Ethical Standards for Government Employees and other applicable laws, rules and regulations.²¹

²¹ Please see Section 42 (e), *id.*

1. **"Appointive Directors"** refer to the members of the Board of PDIC who are not ex-officio members thereof.
2. **"Board"** refers to the collegial body, which is vested with the powers and functions of the Corporation, as specified in RA 3591, as amended (PDIC Charter). It is charged with directing the management, operations and administration of the Corporation.
3. **"Charter"** refers to Republic Act No. 3591, as amended otherwise known as the Act Establishing the Philippine Deposit Insurance Corporation, Defining its Powers and Duties and for Other Purposes.
4. **"Corporate Governance"** is one key element in improving economic efficiency and growth as well as enhancing stakeholder confidence. It involves a set of relationships between a Corporation's Management and its Board. It also provides the structure through which the objectives of a Corporation are set, and the means of achieving those objectives and monitoring performance are determined.
5. **"Corporation"** refers to the Philippine Deposit Insurance Corporation.
6. **"Ex- officio Director"** refers to any individual who sits or acts as a member of the Board of Directors of PDIC by virtue of his/her title to another office, and without further appointment.
7. **"Fit and Proper Rule"** refers to a set of standards for determining whether a member of the Board of Directors/Trustees or the Chief Executive Officer is qualified to hold a position in PDIC which shall include but not limited to standards on integrity, experience, education, training and competence set under Memorandum Circular No. 2012-05 of the Governance Commission for Government-Owned or -Controlled Corporations (GCG).
8. **"Internal Auditing"** refers to an independent, objective assurance and consulting activity designed to add value and improve a corporation's operations. It helps a Corporation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
9. **"Internal Control"** refers to the process effected by a Corporation's Board, Management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations, the reliability of financial reporting, and compliance with applicable laws, regulations, and internal policies.
10. **"Management"** refers to the body given the authority to implement the policies determined by the Board in directing the course and business activities of PDIC.
11. **"President"** refers to the President of PDIC.
12. **"Stakeholder"** refers to any individual or entity whose benefit the PDIC has been constituted, or whose life, occupation, business or well-being is directly

affected, whether favorably or adversely, by the regular transactions, operations, or pursuit of the business or social enterprise for which the PDIC has been constituted, which would include the national government, depositing public, and member banks.

(Revised on 20 December 2017 per PDIC Board of Directors Resolution No. 2017-12-173; on 30 April 2019 per PDIC Board of Directors Resolution No. 2019-04-063; on 30 September 2020 per PDIC Board of Directors Resolution No. 2020-09-167; and on 21 December 2020 per PDIC Board of Directors Resolution No. 2020-12-242.)